



TRAVEL INDUSTRY COUNCIL OF ONTARIO
TRAVEL INDUSTRY COUNCIL OF ONTARIO



1998/99

Annual Report



**MESSAGE
FROM THE
CHAIR**

June 01, 1999

Honourable David H. Tsubouchi
Minister of Consumer and Commercial Relations
250 Yonge Street
Toronto, Ontario
M5B 2N5

Dear Minister:

I am pleased to submit this second Annual Report of the Travel Industry Council of Ontario (TICO), which covers the period April 1, 1998 to March 31, 1999.

This report incorporates the activities of the Ontario Travel Industry Compensation Fund Corporation until its dissolution in August 1998. TICO has now assumed direct responsibility for the Fund

During this 12-month period TICO has continued to accomplish many of the goals set out in its first business plan which was publicly released on February 11, 1998. The initial three-year business plan established the mission and values within which TICO operates, it established the vision for what TICO wants to achieve and it defined the measures by which TICO's performance can be judged. A second year business plan has been prepared and approved by the board and by the Ministry of Consumer & Commercial Relations, for release at TICO's second Annual General Meeting on June 29, 1999.

This second Annual Report covers TICO's first full year of independent operation and details its achievements to date, which are summarized as follows:

- TICO's board of directors continue to work together, through an established committee structure, to meet the requirements set out in the Administrative Agreement, which supports the Ministry's mission of maintaining a fair, safe and informed marketplace.
- TICO's proactive approach to inspections has contributed to achieving its goal of fewer agency closures and lower claim payments from the Compensation Fund.
- TICO's consumer awareness campaign has been enhanced, with the distribution of literature to consumers that will assist with their travel decisions.
- TICO's legislative and regulatory review committee has actively involved industry members in reviewing the current Act and regulations, looking to the future with the goal of achieving improved levels of consumer protection, an even playing field for registrants and improved services to consumers.
- TICO has produced its first two quarterly newsletters, TICOTALK, which contain useful information for stakeholders regarding industry activities.

TICO is tuned in to the many changes that are influencing the travel marketplace and has made adjustments to its monitoring programs to meet its goal of ensuring that consumers receive value for the services that they purchase. As the year 2000 approaches TICO will continue to strive toward achieving the goals set out in its business plans and is confident that positive changes will follow.

Yours truly,

A handwritten signature in dark ink, appearing to read 'Jill Wykes', is written over a light-colored background.

Jill Wykes
Chair of the Board of Directors
Travel Industry Council of Ontario



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MISSION

To promote a fair and informed marketplace where consumers can be confident in their travel purchases.

VISION

Enhance confidence in the travel industry by becoming:

- ▶ A leader in developing an improved system of consumer protection
- ▶ A model for a progressive, fair and firm administrator of industry regulations
- ▶ A promoter and enforcer of good business ethics
- ▶ An advocate for harmonized standards in the travel industry

VALUES

- ▶ Fair, but firm in our conduct with registrants and consumers
- ▶ Responsive and open in communicating with consumers and registrants, while respecting the business confidentiality our registrants
- ▶ Visionary in our approach to improving the industry and industry practices, while remaining accountable to all stakeholders for the cost-effectiveness and practicality of solutions and initiatives
- ▶ Ethical in everything TICO does



**CHIEF
EXECUTIVE
OFFICER'S
REPORT**

Executive Summary

The Travel Industry Council of Ontario (TICO) is now in its second year of operation since receiving delegation to take responsibility from the Ministry of Consumer and Commercial Relations (MCCR) for administering the Ontario Travel Industry Act

TICO's second annual report sets out the framework of its initial business plan that was released in February 1998. The report that follows re-affirms the structure within which TICO operates and measures its performance during this first full year of operation. During this period we have paid special attention to those priority objectives identified in our first annual report, which included:

- ▶ A strong financial programme.
- ▶ Risk management of Registrants that pose a higher likelihood of failure.
- ▶ Implementation of a consumer complaint resolution process with faster turnaround and higher closing ratios.
- ▶ Stringent monitoring of new applications for registration to ensure entry standards are met and processing times are maintained at acceptable levels.
- ▶ A consumer awareness campaign through media, trade shows and Internet website exposure.

This report responds to all of these objectives in detail and confirms that we have met or exceeded each of the targets set.

The report also shows that the Compensation Fund became a direct responsibility of TICO in June, 1998. During this second year the fund has grown by over \$4 million and had a balance of \$12.6 million as of March 31, 1999.

In November 1998, TICO relocated its office to new larger premises and in December 1998, it initiated a Y2K awareness strategy for industry registrants. In March 1999, TICO finalized plans for the implementation of a new database that will consolidate several sources of data into one common programme.

TICO has also approved a comprehensive consumer awareness campaign, designed to improve service levels to consumers. This campaign is being sourced through media exposure, outlining the benefits of dealing with Ontario based travel retailers and includes specific articles in TICO's own Internet website.

Michael Pepper
C.E.O. & Registrar

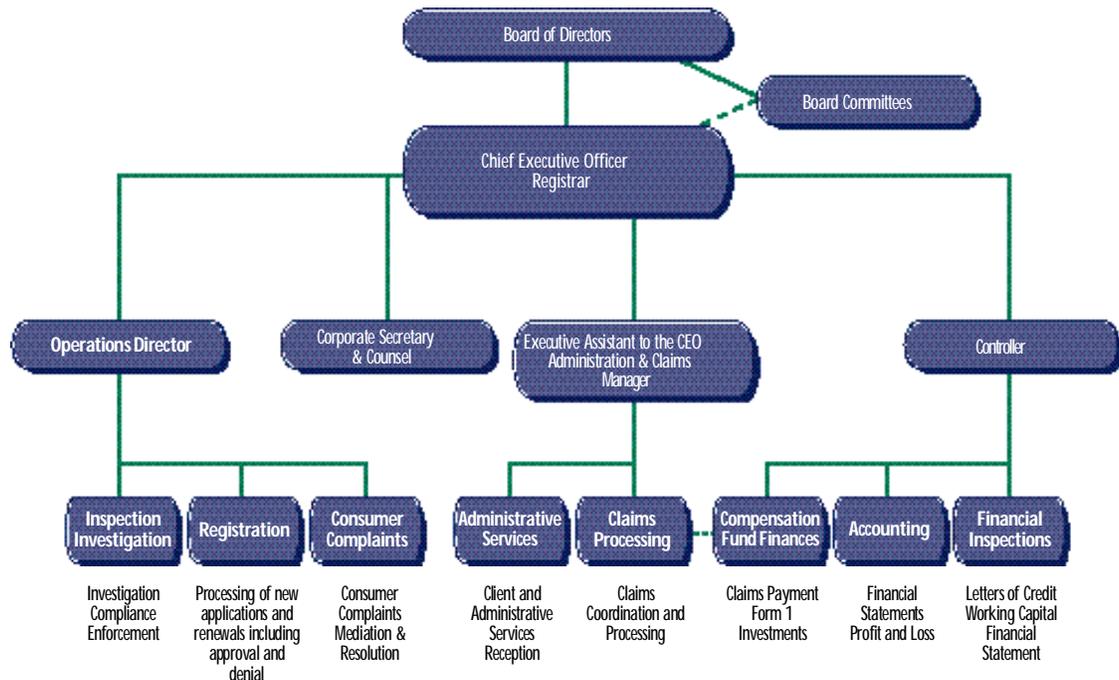
**TICO
STRUCTURE**

Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 3,000 Ontario travel retail and wholesale registrants. In order to effect self-management in the travel industry, the Ministry of Consumer and Commercial Relations delegated responsibility for the administration of the Ontario Travel Industry Act and regulations to TICO in June 1997. The Travel Industry Act governs Ontario retailers and wholesalers and provides for the operation of a travel industry Compensation Fund.



Following a regulation change in June 1998, TICO assumed direct responsibility for the Compensation Fund from the Ontario Travel Industry Compensation Fund Corporation (OTICF). The OTICF Corporation was subsequently dissolved on August 28, 1998.



Governance

The TICO Board of Directors consists of 15 members and comprises of three individuals appointed by the Association of Canadian Travel Agents (ACTA-Ontario), three from the Canadian Association of Tour Operators (CATO), one from the Ontario Motor Coach Association (OMCA), one from the Canadian Institute of Travel Counsellors of Ontario (CITC-Ontario) and four from the Minister of Consumer and Commercial Relations. There are also 3 members that are elected by the Industry at large. (See Appendix II)

Background on the Ontario Travel Compensation Fund

In 1975, the Government of Ontario passed the Travel Industry Act. This legislation provides the legal basis for the Compensation Fund and ensures that every registered travel business in Ontario participates in the Fund. Section 44 of Part III of the current Regulation (O. Reg. 806/93) enacted pursuant to the Act states: "Every registrant shall participate in the Compensation Fund and shall comply with the terms of the Fund set out in this Part."

A registrant is defined as a person who is registered as a travel agent or travel wholesaler under the Travel Industry Act. A travel agent is defined as a person who sells to consumers, travel services provided by another person. A travel wholesaler is defined as a person who acquires rights to a travel service for the purpose of resale to a travel agent or who carries on the business of dealing with travel agents or travel wholesalers for the sale of travel services provided by another person.



Management of the Compensation Fund

The Regulation relating to the Compensation Fund sets forth in detail the operation and management of the Fund.

Section 44.1 of the current Regulation (O. Reg. 806/93) provides that the affairs of the Compensation Fund shall be administered and managed by the Travel Industry Council of Ontario, a corporation without share capital incorporated under Part III of the Corporations Act.

Section 45(5) of Regulation 806/93 requires that all money in the Compensation Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in accordance with this Regulation.

Fund Financing

The Compensation Fund is totally financed by Ontario registrants. On a semi-annual self assessment basis, a registered travel agent pays to TICO the greater of \$25 or 40¢ per \$1,000 of sales and a registered travel wholesaler pays the greater of \$25 or \$1.60 per \$1,000 of sales. These payments are to be made within forty-five days after the end of the registrant's fiscal and fiscal half-year.

The Regulation permits TICO to borrow money to supplement the Fund and to require that registrants make additional payments to TICO if necessary to reduce such borrowing.

Surplus Funds

The Corporation may invest any funds of the Compensation Fund, which are surplus to the immediate requirements of TICO, in securities provided for under sections 26 and 27 of the Trustee Act.

Claims

The Compensation Fund compensates customers of registered travel agents for eligible claims arising from the bankruptcy or insolvency of an Ontario registrant but not for claims arising from the failure to provide travel services by end suppliers such as airlines. The Board of Directors determines whether a claim or a part of one meets the requirements of the Regulation and determines the eligible amount of the claim. Claims must be submitted in writing to the Board within six months after the event that gave rise to the claim. The maximum payout for claims arising out of an event is \$5 million in total and \$3,500 per person.

The Director under the Travel Industry Act, may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for the repatriation and accommodation of customers of registrants who are outside of Ontario. When customers of registrants are preparing for immediate departure and have been placed in circumstances where funds are required to alleviate suffering or to protect the interests of the Fund, the Board, with the approval of the Director, may pay out of the Fund an amount sufficient to enable such departure, up to a maximum of \$3,500 per person.

Appeal of Decisions

Claimants are entitled to appeal a decision of the Board of Directors to the Commercial Registration Appeal Tribunal. Decisions of the Tribunal may be further appealed to the Divisional Court of Ontario.

Financial Inspections

TICO manages a programme of financial inspections of registrants, which is carried out under the direction and control of the Registrar of the Travel Industry Act. The programme consists of an annual review of the financial statements of all registrants, a more frequent review of the financial statements of larger registrants and on-site inspections of registrant operations. It is designed to attempt to minimize potential claims against the Fund and disruption to consumer travel, by identifying in advance for the Registrar those registrants whose financial viability may be open to question.

TICO Committees

TICO has established nine committees to oversee various responsibilities and undertake a variety of tasks. These committees and mandates include the following:

Executive Committee (Chair: Jill Wykes)

- ▶ Manage emergency issues on an ad hoc basis
- ▶ Interim support for CEO between board meetings

Administrative Committee (Chair: Marilynne Day-Linton, C.A.)

- ▶ Ensure human resource policies are developed and monitored
- ▶ Review and provide advice with respect to the budget
- ▶ Ensure that operational policies and procedures are developed and monitored
- ▶ Oversee systems and technology issues

Audit Committee (Chair: Bruce Fraser, C.A.)

- ▶ Review internal controls operating throughout TICO
- ▶ Review accounting and investment policies on an annual basis
- ▶ Review quarterly investment report and financial statements
- ▶ Review audited financial statements and recommend approval to the Board

Business Strategy Committee (Chair: Peter Linnett)

- ▶ Develop TICO's mission, vision, business strategy and objectives
- ▶ Assist with the preparation of TICO's annual Business Plan and monitor performance measures
- ▶ Develop a system of administrative penalties
- ▶ Develop business policies on key issues of TICO authority (e.g. misleading advertising, financial compliance, education and training)
- ▶ Refer issues for legislative and regulatory review
- ▶ Conduct an annual review of the proposed Registrant's Code of Ethics and the proposed Board of Director's Code of Conduct



Consumer Complaints Committee (Chair: Frank Dennis)

- ▶ Review and resolve, as appropriate, complaints against TICO
- ▶ Provide fair, transparent and accountable procedure for handling registrant and consumer complaints against TICO

Compensation Fund Committee* (Chair: Bruce Fraser, C.A.)

- ▶ Review and recommend to the Board the payment of claims in accordance with the current Regulation
- ▶ Develop and recommend administrative policies to the Board of Directors regarding the administration of the Fund
- ▶ Review recovery procedures to offset the cost of claims
- ▶ Review and monitor the status of appeals to the Commercial Registration Appeals Tribunal of denied claims

Ethics Committee (Chair: Moe Jppesen)

- ▶ Develop Code of Ethics for Registrants
- ▶ Develop Code of Conduct for TICO board members
- ▶ Develop Code of Conduct for TICO staff

Education Committee (Chair: Teresa Bell, CTC)

- ▶ The mandate for the Education Committee is currently under review. The Committee has completed an initial review of the issue of minimum educational standards.

Legislative & Regulatory Review Committee (Chair: Frank Dennis)

- ▶ Achieve regulatory and legislative reform necessary to meet TICO's business objectives, as established by the Business Strategy Committee in the TICO Business Plan by:
 - ▶ Consulting with MCCR on policy and legal issues
 - ▶ Securing and managing stakeholder input
 - ▶ Working with MCCR to move recommendations forward through the legislative process

**The Compensation Fund Committee was established following the transfer of direct responsibility for the Compensation Fund in June 1998.*



**REVIEW OF
STRATEGIC
BUSINESS
OBJECTIVES**

STRATEGIC BUSINESS OBJECTIVES	ACTIONS TAKEN TO MARCH '99
Complete 2nd Business Plan	Completed by deadline for approval by the Minister. The Business Plan will be released in June 1999.
Establish operations and systems to meet terms and references of the Administrative Agreement	Terms of Administrative Agreement satisfied. Transition completed with no interruption of service to consumers or registrants.
Review Travel Industry Act and Regulation	Legislative and Regulatory Review to maintain relevance of Act and Regulation. Recommendations with Legislative and Regulatory Review Committee.
Review registration process and fee schedules to reduce administrative burden on TICO and registrants	Improvements identified and recommendations forwarded to the Legislative and Regulatory Review Committee.
Develop an effective and equitable system to ensure compliance	Identified common non-compliance areas and reasons for non-compliance. Recommendations have been forwarded to the Legislative & Regulatory Review Committee for its consideration.
Develop a Code of Ethics to apply to all Registrants	Code of Ethics completed and released to all registrants.
Establish minimum performance standards for registrants and their representatives	Currently under review by the Legislative & Regulatory Review Committee.
Review and recommend amendments to registration criteria to address business risk	Recommendations developed and presently before Legislative and Regulatory Review Committee
Introduce complaint resolution process	Completed and process implemented.
Present a new model for consumer protection	Determined objectives of new model and reviewed other jurisdictions and risks associated with non-registrants. Presently before the Legislative & Regulatory Review Committee.
Ensure advertising complies with regulations	Reviewed requirements and penalties. Recommendations to enhance compliance presently before Legislative and Regulatory Review Committee.
Develop communications plan for TICO stakeholders	Completed in April 1998 and implemented in May 1998.
Ensure consumers and registrants are aware of the benefits of dealing with Ontario registrants	Literature produced and distributed. Consumer Awareness Campaign planned for 99/00 fiscal year.
Transfer responsibility for the Travel Industry Compensation Fund to TICO	Completed. TICO assumed direct responsibility of the Compensation Fund following a Regulation change in June 1998.

Operational Performance Review

TICO had a registrant base of 3,010 on March 31, 1999. As noted in Figure 1, this registrant base has remained relatively constant over the last five years. This total comprises of 2,518 retail travel agents, who sell travel services directly to consumers and 492 travel wholesalers, who sell travel product to travel retailers (Fig. 2).

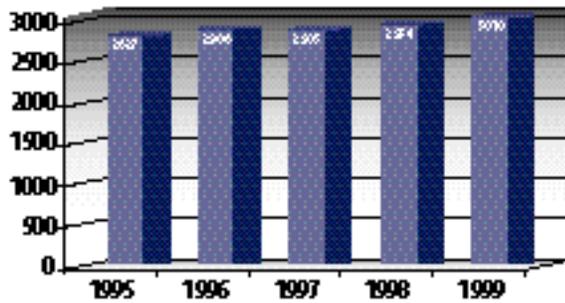


Figure 1: Total Registrants under Travel Industry Act

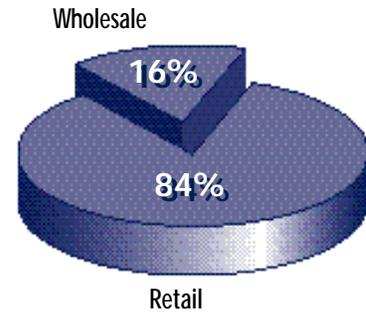


Figure 2: Breakdown of Registrants

A total of 1,256 registrations were processed under the Travel Industry Act in 1998/99 (Fig. 3), which included 294 new registrations and 962 renewals. As registrations are renewed bi-annually on the anniversary date of the registrant's original approval date, there is a fluctuation in the number of renewals each year. This resulted in an expected decrease of 62% over the previous year. Since the commencement of self-management, the average time for processing registrations has decreased from 30 days to 10 days.

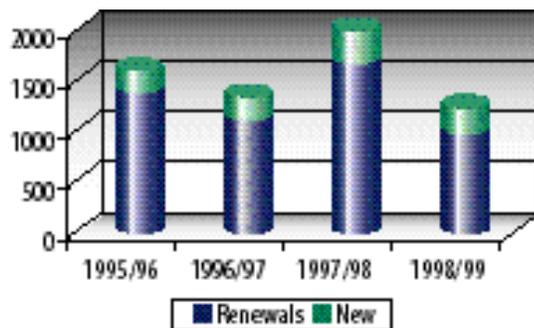


Figure 3: Total Applications Processed

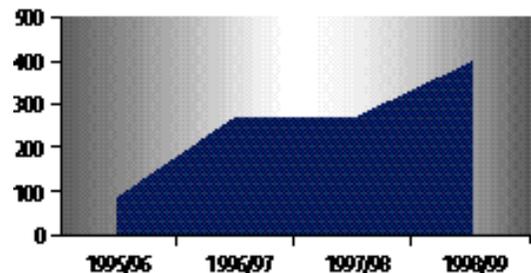


Figure 4: Written Complaints Handled

TICO handled 393 written consumer complaints in 1998/99 and successfully assisted consumers in obtaining \$82,455 in restitution. In addition to this, TICO receives approximately 150-200 telephone and walk-in complaint inquiries each month.

Under the direction of the Registrar, the Travel Industry Council of Ontario is responsible for conducting a financial inspection programme. All registrants financial statements are subject to a bench review to ensure compliance with the financial standards required by regulation. The bench review process produces information, which may determine those registrants that should be targeted for site inspections (Fig. 5). During the fiscal period 98/99, site inspections increased by 32% from 125 in 97/98 to 165 in 98/99. (Fig. 6)

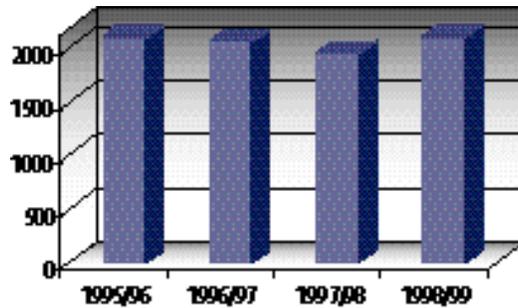


Figure 5: Total Financial Bench Reviews

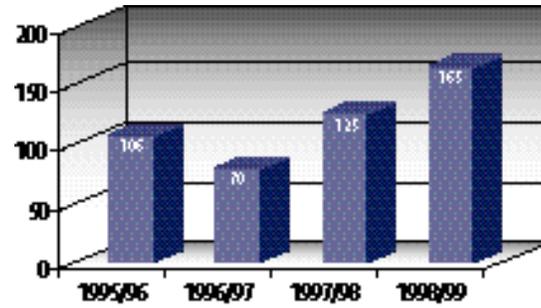


Figure 6: Financial Site Inspections

TICO performed 122 compliance site inspections during the 1998/99 fiscal year to address various issues such as advertising guidelines and operating without registration. In 1998/99 a total of 88 warnings for operating without registration and 88 advertising warnings were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the Travel Industry Act and Regulation.

Travel Compensation Fund

Claims

Claims paid during the fiscal year ended March 31, 1999 compared to the previous year ended March 31, 1998 were as follows:

	<u>1998/99</u>	<u>1997/98</u>
Number of claims paid	466	216
Number of consumers assisted	913	549
Claims paid	\$509,221	\$319,294
Less recoveries	<u>(61,291)</u>	<u>(48,997)</u>
Net claims paid	<u>\$447,930</u>	<u>270,297</u>



Most Significant Closures 1998/99

Silver Fox Tours

Silver Fox Tours voluntarily surrendered its registration on October 2, 1998, as a travel retailer and travel wholesaler under the Travel Industry Act. To March 31, 1999, a total of 257 claims representing 447 consumers at a cost of \$231,126 was paid out of the Compensation Fund. These figures include the imminent departure of 38 passengers that were assisted at the time of the registrant's failure.

Diamond Tours

On January 26, 1999, the Commercial Registration Appeal Tribunal (CRAT) ordered the Registrar to revoke the registration of Diamond Tours for non-compliance with the Travel Industry Act and Regulation. Diamond Tours held both a retail and wholesale registration. To March 31, 1999, a total of 34 claims representing 63 consumers at a cost of \$96,134 was paid out of the Compensation Fund. These figures include the imminent departure of 2 passengers that were assisted at the time of the registrant's failure. Other recoveries may be forthcoming.



Summary of Closures Resulting in Claims Against The Compensation Fund and Corresponding Recoveries

REGISTRANTS	CLAIMS PAID 1998/99	RECOVERIES 1998/99	CLAIMS PAID 1997/98	RECOVERIES 1997/98
	\$	\$	\$	\$
Adventures Unlimited, Toronto (R)	400	(4,725)	4,325	—
Akal Travel, Toronto (R)	—	(2,000)	—	—
Algonquin Travel, Ottawa (R)	3,500	—	—	—
All—Ways Travel, Toronto (R)	—	—	1,651	—
B&W Travel & Tours Ltd, Ottawa (R)	—	—	209	—
Caledonia International, Windsor (R)	15,541	—	123,417	—
Canadian International, Toronto, (R)	—	(3,889)	—	—
Carlson Wagonlit Travel, Napanee (R)	9,404	—	—	—
Carousel Travel (1982) Inc., Toronto (W)	—	—	—	(10,000)
Choice Travel, Toronto (R)	780	—	—	—
Condor Holidays, Ottawa (R)	3,771	—	15,607	—
Diamond Tours, London (R)/(W)	96,134	(20,981)	—	—
Edenbridge Travel Services, Toronto (R)	—	—	6,880	—
Eurosun Inc., Toronto (R)/(W)	—	—	710	—
Hummingbird Travel, Brampton (R)	426	—	77,253	—
Matthews Travel, Niagara Falls (R)	—	—	12,300	—
Palasturist of Canada Inc, Scarborough (R)	—	—	1,221	—
Paradise Travel & Tourism Inc, Toronto (R)	—	—	800	(800)
Pedersen World Tours Inc, Toronto (W)	—	—	500	—
Sandalls Travel, Brampton (R)	10,018	(10,000)	—	—
Siesta Travel, Toronto (R)	—	—	439	—
Silver Fox Tours, London (R)	231,126	(10,078)	—	—
Stonesmith, Ottawa (R)	8,711	—	31,697	—
Sunny Isles Vacations, Toronto (R)	43,600	—	—	—
Sunshine Travel, Toronto (R)	—	—	—	(2,940)
Suzu's Travel, Port Perry (R)	960	—	—	—
The Travel Bug, Mississauga (R)	13,731	—	—	—
The Travel Counter, Toronto (R)	7,036	(7,036)	—	—
Thru—way Travel, Toronto (R)	—	—	—	(888)
Tourasia, North York (R)	57,144	—	—	—
Travel Deals Inc., Toronto (R)	—	—	—	(5,268)
Travel Net International, Toronto (R)	—	—	—	(14,421)
Travel Plus Travel, Fort Erie (R)	2,948	—	4,119	—
Travel Trend Tours, St Catharines (R)	—	—	—	(4,161)
Two Girls Tours, Toronto (R)	3,120	—	17,574	(10,000)
Uniglobe Can Travel, Milton (R)	—	(2,582)	—	—
Unitravel Services, Ottawa (R)	630	—	20,592	—
Value Vacations, Toronto (R)	—	—	—	(519)
World Travel Service, Toronto (R)	241	—	—	—
TOTAL CLAIMS PAID (GROSS)	<u>\$509,221</u>	<u>(\$ 61,291)</u>	<u>\$319,294</u>	<u>(\$ 48,997)</u>

(R) = Retailer (W) = Wholesaler

There was a 25% increase in recoveries received by TICO in 1998/99, with \$61,291 recovered compared to \$48,997 in 1997/98.

Fig. 8 illustrates that in 1998/99 claims paid by the Fund increased by 60% from the previous year. Although the number of registrant closures were identical to the previous year, the increase is primarily due to the closure of two registrants which held both a wholesale and retail registration and resulted in claims for a combined total of \$327,260. (Figure 8). Contributions to the Fund from registrants (Fig. 9) have increased by \$406,426 over 97/98. The bulk of the increase has come from wholesaler contributions. (Fig 10)

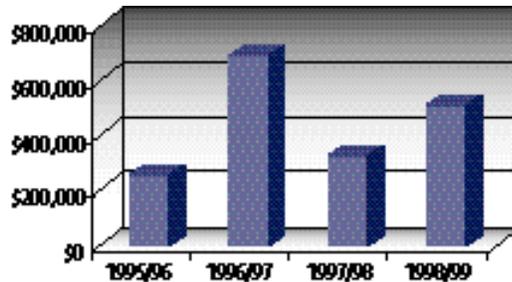


Figure 8: Claims on the Fund in Dollars

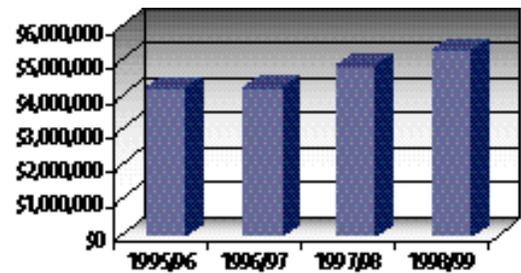


Figure 9: Contributions to the Fund

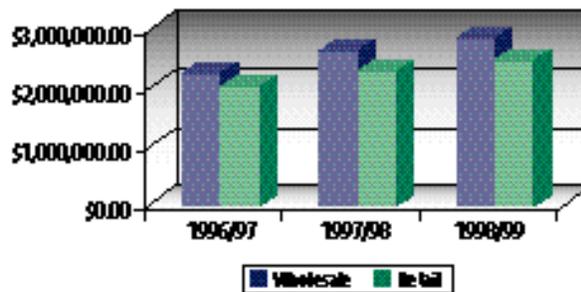


Figure 10: Contributions on the Fund - Retail vs Wholesale

LEGAL MATTERS

Claims

The Commercial Registration Appeal Tribunal (CRAT) hears appeals from decisions of the Board relating to the eligibility of claims. During the period ended March 31, 1999, CRAT held six hearings regarding claims. In upholding the Board's decision in five of these claims, CRAT dealt with the issue of late filing and with the eligibility of wholesaler claims. CRAT allowed one appeal relating to documentation.

Charges

Two individuals carrying on business as Caribbean Consultants and accepting funds from consumers in payment of travel services without being registered as a travel agent were prosecuted under the *Travel Industry Act*. Both parties pleaded guilty to charges under the *Travel Industry Act*. One individual provided \$2,000 as restitution and the other was placed on probation for 2 years with a \$10,000 restitution order.

Proposals to Revoke Registration

A total of 91 proposals to revoke registration were issued during the 1998/99 year. The reasons for the proposals included failure to file financial statements, failure to file Form 1 contributions to the Compensation Fund, failure to maintain minimum working capital as well as other infractions.



Regulation, By-law and Policy Changes

In June 1998, the Regulation under the *Travel Industry Act* was amended so that responsibility for the Compensation Fund was transferred from the Ontario Travel Industry Compensation Fund Corporation to TICO. The Ontario Travel Industry Compensation Fund Corporation subsequently surrendered its charter on August 28, 1998.

There have been no changes to TICO's By-laws since they were signed on November 5, 1997. Copies of TICO's By-laws are available upon request.

TICO's legislative and regulatory review process is continuing. The recommendations from the Legislative & Regulatory Review Committee will be reviewed and approved by the Board for Ministry and stakeholder consultation. Final proposals for legislative change will be submitted to the Minister, Consumer and Commercial Relations.

Complaint Handling Process

TICO staff receive numerous telephone enquiries on a daily basis including those from consumers, registrants, applicants, government and industry stakeholders. TICO staff provide callers with information with respect to consumer and business complaints, registration processes and acceptable business practice.

TICO provides complaint handling for consumer-to-registrant disputes. After encouraging consumers to pursue all avenues with the registrant, TICO staff will assist with the goal of reaching a mutually acceptable solution. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. When a mutual solution is not reached, complainants are provided with information regarding options to further pursue matters. TICO undertakes to provide a response to a complainant within 30 days.

Registrant-to-registrant disputes have not been handled traditionally by the Registrar, unless financial issues or other allegations of non-compliance with the Act are involved. TICO proposes to maintain this approach in the immediate future until all complaint handling procedures are reviewed.

Complaints Committee

Consumers with complaints about TICO's activities are invited to contact the Consumer Complaints Committee of the Board of Directors.

The Consumer Complaints Committee's mandate is to review and resolve, as appropriate, complaints against TICO, which are based on dissatisfaction with the quality and fairness of its services to registrants and consumers. The Committee is composed of representatives of the various stakeholders. During the 1998/99 fiscal period, the Complaints Committee received two complaints.

Appeals against the Registrar's administrative decisions may proceed, as appropriate, to the Commercial Registration Appeal Tribunal. Complaints may be submitted to TICO by telephone, fax or mail.

French Language Services

TICO receives minimal inquiries in the French language. When it does, it strives to respond to all inquiries received, whether oral or written. A comparable level of service will be provided in either language whenever and wherever demand and customer service warrant. TICO staff are able to communicate in several languages and provide both registrants and consumers with a timely, courteous and quality response to all French language enquiries. Correspondence received in French is responded to in French.



FINANCIAL REPORT

Travel Industry Council of Ontario Financial Review

The financial review is based on the combined financial statements of TICO and the Compensation Fund Corporation for the year ended March 31, 1999, with comparative figures for March 1998.

Operating Results

Revenue exceeded expenses by \$4,435,662 for the year ended March 31, 1999, compared to \$4,608,026 for the year ended March 31, 1998.

Revenue

Total revenue for the year ended March 31, 1999 was \$6,954,267 and derived from semi-annual assessments from registrants (\$5,257,390), applications for renewal of registration (\$372,000), and from new applications for registration (\$623,250). A total of \$701,627 in interest was earned during the year.

The rates of assessment were unchanged from last year at \$1.60 per \$1,000 of wholesale sales and \$0.40 per \$1,000 of retail sales. Semi-annual payments from registrants were the primary source of revenues. The revenue from these payments increased by \$406,426 or 8% over last year as follows:

	<u>1999</u>	<u>1998</u>	<u>% Increase</u>
Wholesaler	\$2,812,282	\$2,603,289	8%
Retail	<u>2,445,108</u>	<u>2,247,675</u>	9%
Total	<u>\$5,257,390</u>	<u>\$4,850,964</u>	8%

Interest income increased from \$218,507 to \$701,627 from the prior year, which reflected the higher level of funds available for investment.

New application fees are \$2,375 and cover the first two years of registration. The fee for renewal of registration is \$375 and is assessed bi-annually. Registrations are currently renewed on the anniversary date, two years following the initial registration date.

Expenses

Expenses for general operations totalled \$2,518,605 in 1998/1999 compared to \$1,547,508 in 1997/1998. The increase in the expenses largely results from the assumption of functions previously carried out by government. TICO assumed direct responsibility for the Compensation Fund in June 1998. The significant variances in expenses are as follows:

Total claims paid for the year ended March 31, 1999, were \$509,221 compared to \$319,294 for the year ended March 31, 1998. Claims paid were reduced by recoveries of security deposits and repayments from registrants in the amount of \$61,291 for total net claims of \$447,930.

Claims insurance was a new expense in 98/99 in the amount of \$483,850. The Board of Directors approved the purchase of an excess insurance policy to protect the Compensation Fund and the insurance comes into effect when claims individually in excess of \$25,000 have exceeded \$4,000,000 in a policy year.



Salaries and benefits have increased by \$111,478 for the year ended March 31, 1999. The increase is the anticipated result of hiring additional staff to fulfill formally held government positions.

Office and general expenses have increased by \$137,134. This increase is due to the combination of two operations and is slightly less than budget for this category. Some office and general expenses were included in pre-operational expenses in the prior year.

Inspections and compliance expense increased by \$73,584 from the prior year as an investigator was hired and an additional financial inspector was hired half way through the year. The increase in inspection staff was done in order to strengthen the financial inspection programme and the result was an increase of 32% in financial site inspections for the year ended March 31, 1999.

Professional Fees increased by \$32,525 mainly due to legal fees for various projects and specifically legal fees incurred in laying charges and obtaining convictions against an unregistered travel agency.

Regulatory Reform of \$54,100 was a new expense in 1998/1999 and partly represents the cost of two contract lawyers hired to assist in the ongoing regulatory and legislative review process.

Ontario Government transition fees expense has decreased by \$95,959 for the year, as office and salary expenses are now incurred directly by TICO. During its second year of operation, TICO was required to pay an annual Administration fee and a monthly charge for using the Government's travel registration database.

New initiatives continued in 1998/1999 and increased over the prior year by \$24,125. This included the first issue of TICO's newsletter to its registrants and an actuarial report prepared in the legislative review process.

There was a cost of \$26,378 for moving expenses for the year as TICO moved to new premises. Increase in staff levels and the necessity to provide meeting space required larger premises.



APPENDIX I

**Travel Industry Council of Ontario
Audited Combined Financial Statements
March 31, 1999**

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McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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AUDITORS' REPORT

To the Board of Directors of
Travel Industry Council of Ontario

We have audited the combined statement of financial position of Travel Industry Council of Ontario as at March 31, 1999 and the combined statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles on the basis described in Note 1.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants

NORTH YORK, Canada
May 18, 1999



TRAVEL INDUSTRY COUNCIL OF ONTARIO
COMBINED STATEMENT OF FINANCIAL POSITION
 AS AT MARCH 31, 1999

	1999 \$	1998 \$
ASSETS		
CURRENT		
Cash and short-term investments (Note 4)	13,532,988	9,260,575
Accounts receivable	3,695	34,617
Prepaid expenses	399,191	-
	<u>13,935,874</u>	<u>9,295,192</u>
CAPITAL (Note 5)	<u>143,676</u>	<u>63,156</u>
	<u>14,079,550</u>	<u>9,358,348</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	460,834	218,259
Deposits from registrants	99,888	56,923
	<u>560,722</u>	<u>275,182</u>
NET ASSETS		
Net assets per statement	<u>13,518,828</u>	<u>9,083,166</u>
	<u>14,079,550</u>	<u>9,358,348</u>

APPROVED ON BEHALF OF THE BOARD:

_____, "JILL WYKES", Chairman

_____, "BRUCE FRASER", Director



TRAVEL INDUSTRY COUNCIL OF ONTARIO
COMBINED STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED MARCH 31, 1999

	Invested in Capital Assets \$	Restricted For The Ontario Travel Industry Compensation Fund \$	Restricted For Travel Industry Council of Ontario \$	1999 Total \$	1998 Total \$
					(Note 9)
Balance, beginning of year	63,156	8,666,098	353,912	9,083,166	4,475,140
Excess of revenues over expenses	-	4,013,719	421,943	4,435,662	4,608,026
Purchase of capital assets	123,067	(69,400)	(53,667)	-	-
Amortization of capital assets	(42,547)	23,667	18,880	-	-
Balance, end of year	<u>143,676</u>	<u>12,634,084</u>	<u>741,068</u>	<u>13,518,828</u>	<u>9,083,166</u>



TRAVEL INDUSTRY COUNCIL OF ONTARIO
COMBINED STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED MARCH 31, 1999

	1999 \$	1998 \$
		(Note 9)
REVENUES		
Semi-annual payments from registrants	5,257,390	4,850,964
Renewals	372,000	638,063
Application fees from new registrants	623,250	448,000
Interest and sundry income	<u>701,627</u>	<u>218,507</u>
	<u>6,954,267</u>	<u>6,155,534</u>
EXPENSES		
Claims	509,221	319,294
Less: Recoveries	<u>(61,291)</u>	<u>(48,997)</u>
Net claims	447,930	270,297
Claims insurance	483,850	-
Salaries and benefits	697,437	585,959
Office and general expense	207,327	70,193
Inspections and compliance	172,334	98,750
Rent	92,955	83,269
Professional fees	72,276	39,751
Board meeting expense	60,273	29,770
Regulatory reform	54,100	-
New initiatives	39,836	15,711
Ontario Government transition fees	38,829	134,788
Computer expense	32,954	21,061
Moving expenses	26,378	-
Insurance	19,631	10,773
Travel and public relations	15,769	13,454
Credit checks	14,179	-
Pre-operational expenses	-	138,751
Amortization	42,547	34,981
	<u>2,518,605</u>	<u>1,547,508</u>
Excess of revenues over expenses	<u>4,435,662</u>	<u>4,608,026</u>



TRAVEL INDUSTRY COUNCIL OF ONTARIO
COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 1999

	1999 \$	1998 \$
		(Note 9)
CASH WAS PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenues over expenses	4,435,662	4,608,026
Charges to income not involving cash:		
Amortization of capital assets	42,547	34,981
	<u>4,478,209</u>	<u>4,643,007</u>
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable	30,922	(5,446)
(Increase) in prepaids	(399,191)	-
Increase in accounts payable and accrued liabilities	242,575	88,613
Increase (decrease) in registrants deposits	42,965	(60,077)
	<u>(82,729)</u>	<u>23,090</u>
	<u>4,395,480</u>	<u>4,666,097</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(123,067)	(98,137)
Increase in cash and short-term investments	4,272,413	4,567,960
CASH AND SHORT-TERM INVESTMENTS, beginning of year	<u>9,260,575</u>	<u>4,692,615</u>
CASH AND SHORT-TERM INVESTMENTS, end of year	<u>13,532,988</u>	<u>9,260,575</u>



TRAVEL INDUSTRY COUNCIL OF ONTARIO
NOTES TO THE COMBINED FINANCIAL STATEMENTS
 MARCH 31, 1999

1. PRINCIPLES OF COMBINATION

These financial statements represent the combined accounts of Travel Industry Council of Ontario (TICO) and The Ontario Travel Industry Compensation Fund Corporation (the Fund). The Fund, pursuant to a regulation change, transferred its net assets to TICO on June 24, 1998. The Fund surrendered its charter and ceased to exist on August 28, 1998.

These financial statements present the combined accounts of both entities as if they had been combined since April 1, 1997, so as to give effect to two years of financial information currently and previously audited and reported on by way of separate Auditors' Reports for the respective years for both entities.

2. NATURE OF OPERATIONS

TICO was incorporated on April 7, 1997 as a not-for-profit corporation without share capital, under the laws of Ontario. TICO is designated by the Lieutenant Governor in Council, as the Administrative Authority responsible for administration of the Ontario Travel Industry Act. TICO's responsibilities are to carry out delegation of "The Act" in accordance with the Administrative Agreement signed on April 29, 1997 and to achieve the Minister of Consumer and Commercial Relations' goal of maintaining a fair, safe and informed marketplace.

The Fund was established under the Ontario Travel Industry Act and Regulation to reimburse consumers for prepaid travel services when they have dealt with an Ontario registrant, the travel services have not been provided and the registrant is unable to refund their money by reason of bankruptcy or insolvency. The Fund does not pay claims resulting from the failure of end suppliers, such as airlines, to provide travel services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TICO are in accordance with generally accepted accounting principles and their basis of application is consistent with that of the previous year as applicable and on the basis of accounting described in Note 1. Outlined below are those policies considered particularly significant.

Investments:

Short-term investments are recorded at cost. Discounts are amortized to income over the term of the investment.

Capital Assets and Amortization:

Capital assets are stated at acquisition cost. Amortization is provided on the diminishing balance basis at the following rates:

Furniture and equipment	20%
Computer hardware	30%
Computer software	100%

Leasehold improvements are amortized on a straight line basis over the remaining term of the lease, which expires September 2, 2008.

Revenue Recognition:

The deferral method of accounting for contributions is followed. The application of this method of accounting results in revenue in the form of semi-annual payments from registrants, as well as renewals and application fees from new registrants being recorded when received. Interest income is recorded on the accrual basis.

Claims:

Claims are recorded at the time of approval by the Board of Directors. Claims must be made within 6 months after the event that gives rise to the claim.

Recoveries:

Amounts recoverable to offset claims paid, including commissions recoverable from registrants, are recorded when received.

Repatriation Costs:

Repatriation costs are authorized solely by the Director under the Travel Industry Act, and are recorded when paid.

Restriction on Total Claims:

Regulation 806/93 made under the Travel Industry Act restricts the maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or a major event to \$5,000,000, subject to a maximum of \$3,500 per person, plus an additional \$2,000,000 for repatriation costs.

Use of Estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

Financial Instruments:

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

4. CASH AND SHORT-TERM INVESTMENTS

	<u>1999</u>	<u>1998</u>
	\$	\$
		(Note 9)
Cash on hand and in bank	7,283,962	1,436,704
Government of Canada treasury bills, Government of Canada and Province of Ontario bonds and other debentures, at cost plus amortized discounts, which approximate market values	<u>6,249,026</u>	<u>7,823,871</u>
	<u>13,532,988</u>	<u>9,260,575</u>

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>1999 Net</u>	<u>1998 Net</u>
	\$	\$	\$	\$
				(Note 9)
Furniture and equipment	72,687	10,538	62,149	8,946
Computer hardware	105,047	38,022	67,025	46,938
Computer software	17,137	11,815	5,322	-
Leasehold improvements	<u>24,744</u>	<u>15,564</u>	<u>9,180</u>	<u>7,272</u>
	<u>219,615</u>	<u>75,939</u>	<u>143,676</u>	<u>63,156</u>



6. RESTRICTED NET ASSETS

Article 2.01 of By-law one of TICO requires that all monies held by the Corporation shall be used in promoting its objects. Section 45(5) of Regulation 806/93 enacted under The Travel Industry Act requires that all money in the Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in accordance with the Regulation.

7. INCOME TAX

As a non-profit Corporation, TICO is not subject to income taxes, in accordance with Section 149(1)(f) of the Income Tax Act.

8. COMMITMENTS

- (a) Under terms of an administrative agreement dated April 29, 1997 between TICO and the Ministry of Consumer and Commercial Relations, TICO is obligated to pay a minimum annual fee of \$20,000 per year for five years, adjusted once per year using the Consumer Price Index, to the Province of Ontario, commencing April 1, 1998.
- (b) TICO is committed to a minimum rental under a long-term lease for its premises which will expire September 2, 2008. Minimum rental commitments remaining under this lease approximate \$849,919 including \$87,606 due within one year. Minimum rental commitments for successive years approximate:

2000	\$ 87,606
2001	87,606
2002	87,606
2003	87,606
2004	87,606
Subsequent years	<u>411,889</u>
	<u>\$849,919</u>

9. COMPARATIVE FIGURES

Certain of the 1998 comparative figures have been reclassified to conform with financial statement presentation adopted for 1999 and to give effect to the basis of reporting described in Note 1.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of registrants, suppliers, or other third parties, will be fully resolved.



APPENDIX II

TICO Board of Directors

Industry Representatives

Jill Wykes – Chair (8)(15)(18)
 Vice President
 North American Leisure Group
 Toronto (CATO)

Teresa Bell, CTC – Vice Chair (6)(11)(16)
 Secretary / Treasurer
 Bell Travel Group
 Niagara Falls (CITC)

Rob Blowes, CTC (6)(12)
 Vice President
 Blowes Travel Ltd.
 Stratford (ACTA)

Robert Van Kleeck
 President
 Pathway Tours
 London (OMCA)

Grant DeMarsh, C.A. (4)(8)
 Vice President, Finance
 Signature Vacations
 Toronto (CATO)

Frank Dennis (8)(9)(17)
 President & CEO
 Uniglobe Travel (Eastern Canada)
 Mississauga (ACTA)

Douglas A.E. Hamer (6)
 President
 Red Seal Tours
 Toronto (Elected)

Bruce Hood (8)(10)
 President
 Bruce Hood Travel
 Milton (ACTA)

Moe Jeppesen (13)(18)
 President
 Sherwood Village Travel
 Mississauga (Elected)

Peter Linnett (5)(18)
 President
 Regent Holidays Limited
 Mississauga (CATO)

Neil Winter (2)(14)
 Executive Director
 Travel T-Comm
 Mississauga (Elected)

Government Appointees

Sue Corke (8)(14)
 Assistant Deputy Minister
 Business Division
 Ministry of Consumer and
 Commercial Relations
 Toronto

**W.H. Bruce Fraser,
 C.A. (3)(7)(16)(18)**
 Management Consultant
 Toronto

Marilynne Day-Linton, C.A. (1)(4)
 Consultant
 Toronto

Donald Slinger (8)(10)
 Immediate Past President
 Canadian Snowbird Association
 Toronto

- (1) Chair – Administrative Committee
- (2) Member – Administrative Committee
- (3) Chair – Audit Committee
- (4) Member – Audit Committee
- (5) Chair - Business Strategy Committee
- (6) Member – Business Strategy Committee
- (7) Chair – Compensation Fund Committee
- (8) Member – Compensation Fund Committee
- (9) Chair – Consumer Complaints Committee
- (10) Member – Consumer Complaints Committee
- (11) Chair – Education Committee
- (12) Member – Education Committee
- (13) Chair – Ethics Committee
- (14) Member – Ethics Committee
- (15) Chair – Executive Committee
- (16) Member – Executive Committee
- (17) Chair – Legislative & Regulatory Review Committee
- (18) Member – Legislative & Regulatory Review Committee



APPENDIX III

Statutory Appointments

W.H. Bruce Fraser, C.A.

Statutory Director,
Travel Industry Act

Michael Pepper

Statutory Registrar,
Travel Industry Act

TICO Staff

Chief Executive Officer

Michael Pepper

Complaints Co-ordinator

Joanna Szewczyk

Operations Director

Alyson DiDonato

Client Services Assistant

Minah Oh

Controller

Mary-Ann Harrison, CA

Compliance Officer

Rachel Palozzi

Legal Counsel & Corporate

Secretary

Heather Plewes, LL.B.

Legal Counsel

Fatima Husain, LL.B.

**Manager, Administration &
Claims/Executive Assistant to the
CEO**

Dorian Werda

Financial Inspections

Co-ordinator

Pamela Stout

Registration Co-ordinator

Cora Reyes

**Inspectors, Designated
by the Registrar**

Jack Foster, C.M.A.

Ed Holba, C.A.

Kenneth S. Woods, C.A.

Registration Officer

Annabel Linhares

Provincial Offences Officer

Forbes Stanway

Form 1 and Claims Co-ordinator

Lori Furlan

Auditors

McGovern Hurley Cunningham, LLP
2005 Sheppard Avenue East, Suite 503
North York Ontario
M2J 5B4

For more information please contact:



The Travel Industry Council of Ontario • 2700 Matheson Blvd. East, Suite 402, West Tower • Mississauga, ON L4W 4V9
Telephone: (905) 624-6241 • Facsimile: (905) 624-8631 • E-mail: tico@tico.on.ca • Website: www.tico.on.ca



By-laws were drafted, adopted by the Board and signed on November 5, 1997 and copies are available for any interested registrants.

TICO has begun a legislative and regulatory review process and has solicited views from industry associations, the industry at large and other stakeholders. This process is targeted for completion by the spring of 1999.

Complaint Handling Process

On a daily basis, TICO staff receive numerous telephone enquiries including those from consumers, registrants, applicants, government and industry stakeholders. TICO staff provide callers with information with respect to consumer and business complaints, registration processes and acceptable business practice. Where TICO is unable to assist, callers are referred to the appropriate parties.

TICO offers complaint handling for consumer-to-registrant disputes. After encouraging consumers to pursue all avenues with the registrant, TICO staff will assist with the goal of reaching a mutually acceptable solution. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. When a mutual solution is not reached, the consumer will be provided with information regarding options to further pursue matters. TICO undertakes to provide a response to the complainant within 30 days.

Registrant-to-registrant disputes have traditionally not been handled by the Registrar, unless financial issues or other allegations of non-compliance with the Act are involved. TICO proposes to maintain this approach in the immediate future until all complaint handling procedures can be reviewed.

Complaints Committee

Consumers with complaints about TICO's activities are invited to contact the Consumer Complaints Committee of the Board of Directors.

The Consumer Complaints Committee's mandate is to review and resolve, as appropriate, complaints against TICO, which are based on dissatisfaction with the quality and fairness of its services to registrants and consumers. The Committee is composed of representatives of the various stakeholders. During the 97/98 fiscal period, the Complaints Committee received only two complaints.

Appeals against the Registrar's administrative decisions may proceed, as appropriate, to the Commercial Registration Appeals Tribunal. Complaints may be submitted to TICO by telephone, fax or mail.

French Language Services

TICO receives minimal inquiries in the French language. When it does, it strives to respond to all inquiries received, whether oral or written. A comparable level of service will be provided in either language whenever and wherever demand and customer service warrant. TICO staff are able to communicate in several languages and provide both registrants and consumers with a timely, courteous and quality response to all French language enquiries. Correspondence received in French is responded to in French.